

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA

QUARTERLY REPORT
MARCH 2021



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

إِيَّاكَ نَعْبُدُ وَإِيَّاكَ نَسْتَعِينُ ۝

“You Alone we worship ; You Alone we ask for help.

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Vision & Mission Statements

Vision

Our vision is to be one of the leading Islamic Financial Institution within Modaraba sector by offering Shari'ah compliant solutions for an optimal satisfaction of customers

Mission

The basic aim of Sindh Modaraba is to seek Allah's blessing for transformation of our business dealings in accordance with the principles enshrined in the Islamic Shari'ah. And to develop an Islamic Institution by implementing Allah's will in the line with the practices of His Prophet (P.B.U.H.) by meeting its stated objectives built on Trust, Integrity, Innovation and Good Governance for meeting expectation of its stakeholders."

Corporate Information

Board of Directors

Mr. Waseem Mehdi Syed	-Chairman	-Independent Director
Mr. Habibullah Khilji		-Independent Director
Mr. Kamal Ahmed		-Non-Executive Director
Ms. Rukhsana Narejo		-Non-Executive Director
Mr. Rehan Anjum		-Acting Chief Executive

CFO & Company Secretary

Zulfiqar Ali

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)
NRSP Microfinance Bank Limited
Bank Al-Habib Limited

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Legal Advisor

Mohsin Tayebaly & Co.

Share Registrar

F.D. Registrar Services Pvt. Ltd.
Office # 1705, 17th Floor, Saima Trade
Tower-A, I.I. Chundrigarh Road
Karachi

Registered/Head Office

1st Floor, Imperial Court,
Dr. Ziauddin Ahmed Road
Karachi
Tel: (92-21) 35640708-9

Lahore Branch

30-30A, Commercial Building,
The Mall, Lahore,
Pakistan

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, a Management Company of Sindh Modaraba, are pleased to present the un-audited Financial Statements of Sindh Modaraba for the nine months period ending on March 31, 2021.

Operating Results

During the period under review, Sindh Modaraba earned a profit of Rs. 59.70 million as compared to Rs. 97.18 million earned during the corresponding period ending on March 31, 2020. As stated in our earlier reports, main reason for decline in the profitability of Sindh Modaraba is 625 bps reduction in the Policy Rate by SBP; the decline in Policy Rate not only effected return on financing portfolio but it also led to decline in income from our investments with banks. Another important reason contributing to decline in earnings is more stringent Modaraba regulatory regime recently announced by SECP. SECP in March 2021 has issued the Modaraba Regulations 2021, which are more stringent with respect to the classification of non-performing financing. In order to be compliant with the fresh modaraba regulations, Sindh Modaraba had to suspend unrealized income for some of its customers and also had to make additional provisions against some NPLs.

Future Prospects

Economic outlook for the country remains upbeat as various economic indicators are showing signs of recovery. There has been significant increase in tax revenue, remittance, Foreign Exchange reserve, and twin deficit has outperformed the targets. Another positive factor contributing to optimistic sentiment is recent successful launch of Eurobonds issuance, which bodes well for PKR/USD parity as well future foreign investment flows into the country. However, despite of substantial improvements in various key economic indicators, the rising inflation across the country has become cause of concern for economic decision makers. Further more, uncertainty seems to be on rise due to a considerable increase in the COVID cases affected by the third wave of the pandemic. Besides, economic uncertainty posed by inflation and COVID-19 third wave, another negative for the Modaraba sector is government's decision to withdraw the tax exemptions available to the Sector. Modaraba sector has decided to oppose the proposed amendment in the Income Tax Ordinance, 2001 as it will disturb the services and development of the sector without any improvement in the revenue collection. The profitability of the Modaraba for FY-2021 and onwards will largely depend on the government's decision regarding tax exemption and effective date of its implementation.

Acknowledgment

On behalf of the Board of Directors, I would like to thank the Sponsors, the Regulators and our Shariah Advisor for their guidance and support. We would also like to acknowledge the continued patronage of our clients and put on record the dedication and hard work of employees of the Modaraba in turning in better results.

On Behalf of the Board



Karachi
April 22, 2021

Rehan Anjum
Acting Chief Executive Officer

ڈائریکٹرز کا جائزہ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، 31 مارچ 2021ء کو مکمل ہونے والے نو ماہ کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

آمدنی تک نتائج

مضاربہ نے 31 مارچ 2020ء کو مکمل ہونے والی نو ماہ کی مدت میں Rs. 97.18 ملین منافع کے مقابلے میں زیر غور نو ماہ کی مدت میں Rs. 59.70 ملین کا منافع کمایا۔ جیسا کہ ہماری سابقہ رپورٹس میں بتایا گیا ہے کہ سندھ مضاربہ کے منافع میں کمی کی بنیادی وجہ ایس بی پی کے ذریعہ پالیسی کی شرح میں 625 بی پی ایس کی کمی ہے۔ پالیسی شرح میں کمی نے نہ صرف فنانسنگ پورٹ فولیو کی آمدنی کو متاثر کیا بلکہ اس سے بینکوں کے ساتھ ہماری سرمایہ کاری کی آمدنی میں بھی کمی واقع ہوئی۔ آمدنی میں کمی کا ایک اور اہم سبب ایس ای سی پی کے حال ہی میں اعلان کیے گئے مزید سخت مضاربہ ریگولیٹری قوانین ہیں۔ ایس ای سی پی نے مارچ 2021 میں مضاربہ ریگولیٹیشنز 2021 جاری کیے ہیں، جو نان پرفارمنگ فنانسنگ کی کلاسیفیکیشن کے لیے زیادہ سخت ہیں۔ نئے مضاربہ قوانین سے مطابقت کے لیے سندھ مضاربہ کو اپنے کچھ صارفین کی غیر منظم شدہ آمدنی کو سپینڈ کرنا پڑا اور کچھ این پی ایل کے لیے اضافی پروویژن بھی کرنا پڑیں۔

امکانات مستقبل

ملک کا معاشی مستقبل مستحکم ہے کیوں کہ مختلف معاشی اشاریے بحالی کے آثار دکھا رہے ہیں۔ ٹیکس آمدنی، ترسیلات زر، غیر ملکی زرمبادلہ کے ذخائر میں نمایاں اضافہ ہوا ہے، اور ٹوئن خسارے نے اہداف کو پیچھے چھوڑ دیا ہے۔ ایک اور مثبت عنصر یورو بانڈز کے اجراء کا حالیہ کامیاب آغاز ہے، جو پی کے آر/ امریکی ڈالر کے تناسب کے ساتھ ساتھ ملک میں مستقبل کی غیر ملکی سرمایہ کاری کے امکانات کو بہتر بناتا ہے۔ تاہم، مختلف اہم معاشی اشاریوں میں خاطر خواہ بہتری کے باوجود، ملک بھر میں بڑھتی ہوئی، معاشی فیصلہ سازوں کے لئے پریشانی کا باعث ہے۔ مزید یہ کہ، وبائی مرض کی تیسری لہر سے متاثرہ COVID کینسر میں اضافے کی وجہ سے غیر یقینی صورتحال عروج پر ہے۔ مہنگائی اور COVID-19 کی تیسری لہر سے پیدا ہونے والی معاشی غیر یقینی صورتحال کے علاوہ، مضاربہ سیکٹر پر ایک اور منفی اقدام حکومت کا سیکٹر کو دستیاب ٹیکس چھوٹ واپس لینے کا فیصلہ ہے۔ مضاربہ سیکٹر نے انکم ٹیکس آرڈیننس 2001 میں مجوزہ ترمیم کی مخالفت کرنے کا فیصلہ کیا ہے کیونکہ اس سے محصولات کی وصولی میں کوئی بہتری لائے بغیر شعبہ کی خدمات اور ترقی میں رکاوٹیں لاحق ہو جائیں گی۔ مالی سال 2021 اور اس کے بعد مضاربہ کے منافع کا زیادہ تر انحصار ٹیکس چھوٹ اور اس کے نفاذ کی مؤثر تاریخ سے متعلق حکومت کے فیصلے پر ہوگا۔

اعتراف

ہم بورڈ آف ڈائریکٹرز کی طرف سے اسپانسرز، ریگولیٹرز اور ہمارے شرعی مشیر کی رہنمائی اور حمایت کے لئے، ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہم اپنے گاہکوں کی مسلسل حمایت کے معترف ہیں اور مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔

بورڈ کی جانب سے

Benazir

ریحان انجم

ایگزیکٹو چیف ایگزیکٹو آفیسر

کراچی

22 اپریل 2021

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2021

		March 31, 2021	June 30, 2020
		Un-audited	Audited
Note		Rupees	
ASSETS			
Current assets			
Cash and bank balances	4	578,091,481	883,707,855
Short term investments	5	320,000,000	-
Ijarah rental receivables		165,470	-
Advances, prepayments and other receivables	6	30,196,334	21,915,131
Current portion of Diminishing Musharaka	7	336,335,001	270,789,982
Current portion of long term loan		925,000	925,000
Total current assets		1,265,713,286	1,177,337,968
Non - current assets			
Diminishing Musharaka	7	370,896,075	513,998,681
Ijarah assets	8	5,346,374	7,150,092
Long term loan		2,974,753	3,668,500
Fixed assets - in own use	9	3,736,872	4,015,411
Total non - current assets		382,954,074	528,832,684
TOTAL ASSETS		1,648,667,360	1,706,170,652
LIABILITIES AND CERTIFICATE HOLDERS' EQUITY			
Current liabilities			
Creditors, accrued and other liabilities	10	34,082,029	90,614,181
Current portion of customers' security deposit		5,007,000	5,006,000
Profit distribution payable		653,258	575,051
		39,742,287	96,195,232
Non - current liabilities			
Customers' security deposit		-	1,000
TOTAL LIABILITIES		39,742,287	96,196,232
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 2020: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed, and paid-up certificate capital		450,000,000	450,000,000
Reserves		158,925,073	159,974,420
Long term loan	11	1,000,000,000	1,000,000,000
TOTAL CERTIFICATE HOLDERS' EQUITY		1,608,925,073	1,609,974,420
TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY		1,648,667,360	1,706,170,652
CONTINGENCIES AND COMMITMENTS			
	12		

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The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)

Nasim

Chairman

Ruhana Arif

Acting Chief Executive Officer

Munir

Director

Sufi

Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

	Nine-months ended		Quarter ended	
	March 2021	March 2020	March 2021	March 2020
Note ----- Rupees -----				
Income from:				
Diminishing Musharaka	61,212,569	72,942,676	18,217,932	28,055,624
Ijarah	479,454	649,783	130,627	210,535
Bank deposits	34,353,622	64,575,000	6,335,415	27,792,038
Term deposits receipts	9,363,402	2,079,672	8,001,758	-
	105,409,047	140,247,131	32,685,732	56,058,197
Administrative and operating expenses	13 (36,153,726)	(28,304,963)	(12,393,794)	(10,497,324)
(Provision)/Reversal in respect of Ijarah rental receivable	(832)	63	(832)	-
Provision in respect of Diminishing Musharaka	(692,275)	(761,055)	(854,876)	(1,266,660)
	(36,846,833)	(29,065,955)	(13,249,502)	(11,763,984)
	68,562,214	111,181,176	19,436,230	44,294,213
Other income	117,645	613,461	26,095	420,711
	68,679,859	111,794,637	19,462,325	44,714,924
Management Company's remuneration	(6,867,986)	(11,179,464)	(1,946,233)	(4,471,493)
Provision for services sales tax on the Management Company's remuneration	(892,839)	(1,453,331)	(253,011)	(581,294)
Workers' welfare fund	(1,218,381)	(1,983,237)	(345,261)	(793,242)
Profit before taxation	59,700,653	97,178,605	16,917,820	38,868,895
Taxation	14 -	-	-	-
Profit for the period	59,700,653	97,178,605	16,917,820	38,868,895
Earnings per certificate - basic and diluted	1.33	2.16	0.38	0.86

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)




Chairman



Acting Chief Executive Officer



Director




Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

	Nine-months ended		Quarter ended	
	March 2021	March 2020	March 2021	March 2020
	-----Rupees-----			
Profit for the period	59,700,653	97,178,605	16,917,820	38,868,895
Other comprehensive income for the period				
Items that may be reclassified to profit and loss account	-	-	-	-
Items that will not be reclassified to profit and loss account subsequently	-	-	-	-
Total comprehensive income for the period	<u>59,700,653</u>	<u>97,178,605</u>	<u>16,917,820</u>	<u>38,868,895</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

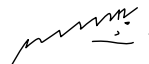
For Sindh Modaraba Management Limited
(Management Company)



Chairman



Acting Chief Executive Officer



Director



Chief Financial Officer


CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

		Nine-months ended	
		March 2021	March 2020
	Note	Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		59,700,653	97,178,605
Adjustments for non - cash and other items			
Depreciation - Ijarah assets	8	1,803,718	2,181,487
Depreciation - Fixed assets - in own use	9.1	997,591	1,114,396
Amortization on intangible assets	9.2	235,518	
Income on bank deposits		(34,353,622)	(64,575,000)
Income on term deposit receipts		(9,363,402)	(2,079,672)
Gain on disposal of ijarah asset		-	(52,428)
Provision in respect of diminishing musharaka		692,275	761,055
Provision / (Reversal) for ijarah rental receivable		832	(63)
Loss on disposal of fixed assets		-	40,216
		19,713,563	34,568,596
Working capital changes			
Advances, prepayments and other receivables		(10,783,631)	(4,003,449)
Ijarah rental receivables		(166,302)	12,573
Diminishing Musharaka		76,865,312	(152,211,078)
Long term loan		693,747	216,000
Creditors, accrued and other liabilities		(56,532,152)	(474,808,630)
Customers' security deposit		-	(273,370)
		10,076,974	(631,067,954)
Income received on term deposit receipts		9,177,495	4,229,809
Income received on bank deposits		37,041,957	62,021,430
Net cash generated from / (used in) operations		76,009,989	(530,248,119)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceed from disposal of Ijarah assets		-	595,007
Sale proceed from disposal of fixed assets		-	32,000
Purchase of fixed assets - in own use	9.1	(741,460)	(2,190,982)
Purchase of intangible assets	9.2	(213,110)	-
Net cash used in investing activities		(954,570)	(1,563,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from Management Company		-	500,000,000
Dividend paid		(60,671,793)	(60,470,344)
Net cash (used in) / generated from financing activities		(60,671,793)	439,529,656
Net increase / (decrease) in cash and cash equivalents		14,383,626	(92,282,438)
Cash and cash equivalents at the beginning of the period		883,707,855	948,633,188
Cash and cash equivalents at the end of the period	18	898,091,481	856,350,750

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

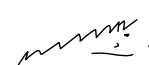
For Sindh Modaraba Management Limited
(Management Company)



Chairman



Acting Chief Executive Officer



Director




Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

	Issued, subscribed, and paid-up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
Rupees						
Balance as at July 01, 2019	450,000,000	51,379,782	61,666,980	113,046,762	500,000,000	1,063,046,762
Profit for the period	-	-	97,178,605	97,178,605	-	97,178,605
Loan from Management Company	-	-	-	-	500,000,000	500,000,000
Transaction with Certificate Holders						
Profit distribution @ Rs. 1,35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
Balance as at March 31, 2020	450,000,000	51,379,782	98,095,585	149,475,367	1,000,000,000	1,599,475,367
Balance as at July 01, 2020	450,000,000	94,533,686	65,440,734	159,974,420	1,000,000,000	1,609,974,420
Profit for the period	-	-	59,700,653	59,700,653	-	59,700,653
Transaction with Certificate Holders						
Profit distribution @ Rs. 1,35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
Balance as at March 31, 2021	450,000,000	94,533,686	64,391,387	158,925,073	1,000,000,000	1,608,925,073

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Acting Chief Executive Officer



Director



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Sindh Modaraba Management Limited (the Management Company), which is a wholly owned subsidiary of Government of Sindh. The registered office of the Modaraba is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited.

The VIS Credit Rating Company Limited has maintained long term rating of A+ and short term rating of A-1 to the Modaraba. Outlook on the assigned rating is 'Stable'.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Modaraba for the nine-month ended March 31, 2021 have been prepared by the management in accordance with the International Accounting Standard (IAS)-34 "Interim Financial Reporting" and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the modaraba companies & modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and the Islamic Financial Accounting Standards (IFASs) differ from the IFRS standards, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and the Islamic Financial Accounting Standards (IFASs) has been followed.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2020.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention.

2.3 Functional and presentation currency

Items included in the condensed interim financial information are measured using the currency of the primary economic environment in which the Modaraba operates. The condensed interim financial information is presented in Pakistani Rupee, which is the Modaraba's functional and presentational currency. Figures have been rounded off to the nearest Rupee, unless stated otherwise.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

2.4 Use of significant estimates and judgements

The preparation of condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on on-going basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Modaraba for the year ended June 30, 2020.

		March 2021 Un-audited	June 2020 Audited
	Note	Rupees	
4. CASH AND BANK BALANCES			
Cash in hand		20,000	-
Stamp paper in hand		77,850	58,400
Balances with banks in:			
- Deposit accounts	4.1	577,053,462	883,062,409
- Current accounts	4.2	940,169	587,046
		<u>578,091,481</u>	<u>883,707,855</u>

4.1 These carry profit at the rates ranging from 3.86% to 6.50% per annum. (June 30, 2020: Rs. 4.97% to 8.59% per annum). This includes balance of Rs. 576.48 million (June 30, 2020: Rs. 882.52 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 919,052 (June 30, 2020: Rs. 585,929) held with Sindh Bank Limited - Islamic Banking Unit, related party.

		March 2021 Un-audited	June 2020 Audited
	Note	Rupees	
5. SHORT TERM INVESTMENTS			
Term deposit receipts	5.1	<u>320,000,000</u>	<u>-</u>

5.1 This represents investment (June 30, 2020: Nil) made in Sindh Bank Limited (a related party) for the period of 7 days. This investment carries markup at the rate 7.00% per annum (June 30, 2020: Nil).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

		March 2021	June 2020
		Un-audited	Audited
6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	Rupees	Rupees
Advances	6.1	24,238,762	2,599,217
Prepayments		1,295,484	547,949
Accrued income from bank deposits	6.2	2,753,873	5,442,208
Accrued income from term deposit receipts	6.2	185,907	-
Accrued income from Diminishing Musharaka		1,698,308	13,321,757
Other receivables		24,000	4,000
		<u>30,196,334</u>	<u>21,915,131</u>

6.1 This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customers amounting to Rs. 22.03 million (June 30, 2020: Rs. 1.55 million).

6.2 This includes accrued income of Rs. 2.75 million (June 30, 2020: Rs. 5.44 million) and Rs. 185,907 (June 30, 2020: Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.

		March 2021	June 2020
		Un-audited	Audited
7. DIMINISHING MUSHARAKA	Note	Rupees	Rupees
Receivables - secured	7.1	739,371,394	816,236,706
Less: current portion		(336,335,001)	(270,789,982)
Less: provision	7.2	(32,140,318)	(31,448,043)
Long term portion		<u>370,896,075</u>	<u>513,998,681</u>

7.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 30, 2020: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.

7.2 This includes general provision of Rs. 3.37 million (June 2020: 3.80 million) made at the rate of 0.5% (June 2020: 0.5%) on diminishing musharaka receivables respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

8. IJARAH ASSETS

Particulars	Cost		Depreciation		WDV as at March 31, 2021	Depreciation Rate		
	As at July 01, 2020	(Deletion)	As at March 31, 2021	Charge for the period / (Adjustment)			As at March 31, 2021	
	Rupees							
Plant and machinery	80,000,000		80,000,000	74,999,988	12 75,000,000	5,000,000	33.33%	
Vehicles	13,113,500	-	13,113,500	10,963,420	1,803,706	12,767,126	346,374	20%
As at and for the Period ended March 31, 2021	93,113,500	-	93,113,500	85,963,408	1,803,718	87,767,126	5,346,374	
As at and for the year ended June 30, 2020	97,184,200	(4,070,700)	93,113,500	86,654,716	2,836,813 (3,528,121)	85,963,408	7,150,092	

9. FIXED ASSETS - in own use

		March 2021	June 2020
		Un-audited	Audited
Note		Rupees	Rupees
Tangible assets	9.1	3,492,605	3,748,736
Intangible assets	9.2	244,267	266,675
		<u>3,736,872</u>	<u>4,015,411</u>

9.1 Tangible assets

Particulars	Cost			Depreciation		WDV as at	Depreciation Rate	
	As at July 01, 2020	Additions/ (Deletion)	As at March 31, 2021	As at July 01, 2020	Charge for the period/ (Adjustment)	As at March 31, 2021		
	Rupees							
Furniture and fixtures	1,416,245	120,000	1,536,245	646,910	110,218	757,128	779,117	10%
Office equipment	3,272,641	-	3,272,641	1,946,377	418,049	2,364,426	908,215	20%
Vehicles	1,354,275	-	1,354,275	283,806	196,614	480,420	873,855	20%
Computer and accessories	2,454,259	621,460	3,075,719	1,871,591	272,710	2,144,301	931,418	33.33%
As at and for the period ended March 31, 2021	8,497,420	741,460	9,238,880	4,748,684	997,591	5,746,275	3,492,605	
As at and for the year ended June 30, 2020	6,578,089	2,316,172 (396,841)	8,497,420	3,924,793	1,148,516 (324,625)	4,748,684	3,748,736	

9.2 Intangible assets

	March 2021	June 2020
	Un-audited	Audited
Note	Rupees	Rupees
Opening net book value	266,675	601,098
Addition during the period / year	213,110	-
Amortization for the period / year	(235,518)	(334,423)
Closing net book value	<u>244,267</u>	<u>266,675</u>
As at March 31, 2021 / June 30, 2020		
Cost	2,092,092	1,878,982
Accumulated amortization	(1,847,825)	(1,612,307)
Net book value	<u>244,267</u>	<u>266,675</u>
Annual rates of amortization	<u>33.33%</u>	<u>33.33%</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

10. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	March 2021	June 2020
		Un-audited	Audited
		----- Rupees -----	
Management remuneration payable - related party		6,867,986	12,411,104
Provision for sindh sales tax on management remuneration		892,839	1,613,444
Creditors		65,238	65,238
Other liabilities	10.1	8,656,861	61,533,002
Workers' Welfare Fund		7,300,517	6,082,136
Payable to gratuity fund		733,851	902,323
Accrued expenses	10.2	9,564,737	8,006,934
		<u>34,082,029</u>	<u>90,614,181</u>

10.1 This includes charity payable amounting to Rs. 256,114 (June 30, 2020: Rs. 8,212).

10.2 These includes Rs. 150,000 (June 30, 2020: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

11. LONG TERM LOAN - subordinated	Note	March 2021	June 2020
		Un-audited	Audited
		----- Rupees -----	
	11.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>

11.1 This represents interest free loan provided by the Management Company (related party) to the Modaraba. The loan is sub-ordinated to senior debt and is repayable at the discretion of Modaraba. The Modaraba has the option to issue modaraba certificates in future against this loan, subject to necessary regulatory approvals.

12. CONTINGENCIES AND COMMITMENTS

The Modaraba received a letter from the Assistant Commissioner - Sindh Revenue Board (SRB), wherein, it is mentioned that during scrutiny of the financial statements of the Modaraba from July-2014 to March 2018 he came to know that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services mainly Ijarah/lease rentals aggregates to Rs. 27.67 million which is outstanding. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh challenging levy of Services Sales Tax on Ijarah/lease financing transactions. The Honorable High Court has granted a stay stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on discussions with its legal counsel is of the view that the Sindh Sales Tax is not applicable on Ijarah transactions and expect that the matter will be decided in Modarabas' favour. Accordingly, no liability in respect of the above has been recognized in these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

		March 2021	March 2020
		Un-audited	Un-audited
13. ADMINISTRATIVE AND OPERATING EXPENSES	Note	----- Rupees -----	
Salaries, allowances and other benefits	13.1	25,708,217	17,976,680
Legal and professional charges		1,158,716	1,636,541
Shariah advisor fee		324,000	324,000
Repair and maintenance		910,478	910,512
Utility services		756,501	768,744
Registration and subscription fee		874,433	751,751
Generator sharing and fuel charges	13.2	411,694	375,832
Entertainment		126,079	137,764
Advertisement and publications		154,122	87,640
Staff orientation and training		3,000	15,000
Rent, rates and taxes	13.3	600,012	600,000
Travelling and conveyance		2,291,154	1,639,461
Security services		450,000	381,915
Printing, stationery and photocopy		339,162	411,378
Postage, courier and telegraphs		97,861	95,727
Auditors' remuneration		182,655	203,796
Depreciation expense - tangible assets	9.1	997,591	835,469
Amortization expense - intangible assets	9.2	235,518	278,927
Takaful / insurance - owned assets		125,390	114,673
Takaful / insurance - Ijarah and Diminishing Musharaka		268,012	606,453
Miscellaneous		139,131	152,700
		36,153,726	28,304,963

13.1 This includes contribution of Rs. 873,297 (2020: Rs. 589,253) to provident fund and provision for gratuity of Rs. 733,851 (2020: Rs. 516,744), related party.

13.2 This includes amount of Rs. 327,645 (2020: Rs. 327,645) against sharing of expenses with Sindh Insurance Limited - related party.

13.3 This includes amount of Rs. 450,000 (2020: 450,000) branch rent to Sindh Bank Limited, related party.

14. TAXATION

On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021,(Ordinance 2021) whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas stands withdrawn.

Tax Exemption has been available to the Modarabas under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which is still operative and was specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, which exemption has been removed by Ordinance 2021. It is believed that the Ordinance 2021 will be placed before the Assembly to be ratified through a Finance Act. It is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas, have made representations to the appropriate authorities to remove intended withdrawal of tax exemption available to the Modarabas, particularly any retrospective effect of the Ordinance 2021. Accordingly, no provision for Income Tax has been made in the quarterly accounts for the period ended July 1, 2020 to March 31, 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

15. SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

16. RELATED PARTY BALANCES AND TRANSACTIONS

The Modaraba has related party relationship with the Management Company, its associated companies and key management personnel.

The details of related party transactions and balances otherwise than disclosed else where in these financial statement are as follows:

	March 2021	June 2020
	Un-audited	Audited
Balances as at period end	----- Rupees -----	
Sindh Insurance Limited - associated company		
Sharing of expenses payable	<u>109,215</u>	<u>218,430</u>
Key Management Personnel		
Long term loan (including current portion)	<u>3,899,753</u>	<u>4,593,500</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

	March 2021	March 2020
	Un-audited	Un-audited
	----- Rupees -----	
Transactions for the period		
Sindh Bank Limited - associated company		
Income on bank deposits	34,326,481	63,267,924
Income on term deposit receipt	9,363,402	871,233
	<u>43,689,883</u>	<u>64,139,157</u>
Sindh Modaraba Management Limited - Management company		
Dividend paid	57,302,100	57,322,350
Long term loan received	-	500,000,000
Management Company's remuneration accrued	6,867,986	11,179,464
Management Company's remuneration paid	12,411,104	9,335,941
	<u>76,581,190</u>	<u>577,837,755</u>
Sindh Insurance Limited - associated company		
Insurance premium / Takaful contribution paid	895,240	743,214
Sharing of expenses paid	436,860	436,860
	<u>1,332,100</u>	<u>1,180,074</u>
Key Management Personnel		
Salaries, allowances and benefits paid	<u>14,749,660</u>	<u>6,443,213</u>
Sindh Modaraba Employees Provident Fund - employee fund		
Contribution paid (both employer's and employee's contribution)	<u>1,746,594</u>	<u>1,178,506</u>
Sindh Modaraba Employees Gratuity Fund - employee fund		
Contribution paid	<u>902,323</u>	<u>746,903</u>

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

As at the balance sheet date, there were no financial instruments which were measured at fair values in the financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2021

		March 2021 <u>Un-audited</u>	March 2020 <u>Un-audited</u>
	Note	----- Rupees -----	
18. CASH AND CASH EQUIVALENT			
Cash and bank balances	4	578,091,481	856,350,750
Short term investment	5	320,000,000	-
		<u>898,091,481</u>	<u>856,350,750</u>

19. SUBSEQUENT EVENT

No subsequent events have occurred till the reporting date that may require adjustment of or disclosure in the condensed interim financial information for the period ended March 31, 2021.

20. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 22, 2021 by the Board of Directors of the Management Company.


21. CORRESPONDING FIGURES

Corresponding figures have been re-classified, wherever necessary for the purposes of comparison.

22. GENERAL

Figures have been rounded off to the nearest rupee.

**For Sindh Modaraba Management Limited
(Management Company)**



Chairman



Acting Chief Executive Officer



Director



Chief Financial Officer

**Islamic Financing
Products Offered by
Sindh Modaraba**

- Ijarah
- Diminishing Musharaka
- Morabaha
- Musharaka
- Salam
- Istisna

Designed & Printed By: BBS (info@binarysolutions.com.pk)

SINDH MODARABA

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